

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary_st@leg.wa.gov

Gain-Sharing Subgroup

November 2, 2005
House Hearing Room C
10:00 am - Noon
Olympia

AGENDA

- | | | |
|----------|-----|---|
| 10:00 AM | (1) | Approval of Minutes |
| 10:05 AM | (2) | Attorney General Opinion - Matt Smith |
| 10:30 AM | (3) | Updated Fiscal Note - HB 1324 - Matt Smith |
| 10:45 AM | (4) | Contribution Rate Projections - Marty McCaulay, Senior Pension Actuary |
| 11:00 AM | (5) | Gain-sharing Projections - Marty McCaulay |
| 11:15 AM | (6) | Report Preview - Robert Wm. Baker, Senior Research Analyst |
| 11:45 AM | (7) | Stakeholder Input |
| NOON | (8) | Subgroup Findings/Recommendation |

Subgroup Membership: (*voting members*) Representative Fromhold (chair), Senator Fraser, Senator Mulliken, Representative Crouse, Ms. Banks, Mr. Goeke, Ms. Matheson, Mr. Thompson; (*non-voting members*) Sophia Byrd McSherry, Jim Justin, Ken Kanikeberg, John Kvamme, Christopher Liu, Lynn Maier, Leslie Main, Ellie Menzies, Randy Parr, Wendy Rader-Konofalski, Cassandra de la Rosa.

Stakeholder groups are encouraged to appoint an individual representative from their organization as a non-voting member if interested.

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 753-9144. TDD 1-800-635-9993

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

***Senator Karen Fraser,**
Vice Chair

***Representative Bill Fromhold,**
Chair

***Leland A. Goeke**
TRS and SERS Employers

***Robert Keller**
PERS Actives

***Sandra J. Matheson,** Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

Glenn Olson
PERS Employers

Senator Craig Pridemore

Diane Rae
TRS Actives

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140
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Select Committee on Pension Policy

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GAIN-SHARING SUBGROUP DRAFT MINUTES

October 17, 2005

The Gain-Sharing Subgroup met in House Hearing Room C, Olympia, Washington on October 17, 2005.

Voting Members:

Representative Fromhold, Chair	Leland Goeke
Elaine Banks	Sandra Matheson
Representative Crouse	

Non-Voting Members:

Sophia ByrdMcSherry	Leslie Main
Jim Justin	Ellie Menzies
John Kvamme	Randy Parr
Lynn Maier	Wendy Rader-Konofalski

Representative Fromhold, Chair, called the meeting to order at 10:00 AM.

(1) Approval of Minutes

It was moved to approve the September 27, 2005 minutes.
Seconded.

MOTION CARRIED

(2) Discussion

- Structure of HB 1324
 - Identify Problem Areas with HB 1324
- Bob Baker, Senior Research Analyst, presented the reports "HB 1324 Sectional" and "HB 1324 Gain-sharing Trade-off Summary." Discussion followed.

(3) Plan 1 Trade-offs

Matt Smith, State Actuary, presented the reports "Fiscal Analysis of HB 1324 - Plan 1", "Plan 1 Trade-offs - Uniform COLA Increase Only (Uniform COLA Increase at 50 Percent of Gain-sharing Cost)" and "Plan 1 Trade -offs - Uniform COLA Increase Only (Uniform COLA Increase at 100 Percent of Gain-Sharing Cost)." Discussion followed.

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(4) Rule of 90 - Members Impacted/Cost Characteristics

Marty McCaulay, Senior Pension Actuary, presented the reports "Attaining Rule of 90 Retirement Ages by Year for TRS, PERS, and SERS, and "Rule of 90 Retirement Ages." Discussion followed.

Public Testimony:

Ron Roy, Chelan PUD

Leslie Main, Washington State School Retirees Association

Conrad Wold, teacher

Matt Smith, State Actuary, reviewed correspondence from Brian Pickering.

The meeting adjourned at 11:45 AM.



**PENSIONS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEMS – RETIREMENT –
Effect of “non-contractual rights clause” on Legislature’s future obligation to provide
“gain-sharing benefits”.**

Where the Legislature has enacted statutes providing “gain-sharing” benefits to retirement system members if certain circumstances occur, but has included language reserving the right to repeal or modify such benefits before they are actually granted, pension system members have no enforceable right or current reasonable expectation of receiving such benefits.

November 2, 2005

The Honorable Matthew M. Smith
State Actuary
P.O. Box 40914
Olympia, WA 98504-0914

Cite as:
AGO 2005 No. 16

Dear Mr. Smith:

By letter previously acknowledged, you have requested our opinion on the following question:

Do the provisions in RCW 41.31.030, RCW 41.31A.020(4), RCW 41.31A.030(5), and RCW 41.31A.040(5), containing “non-contractual rights clauses”, negate any contractual obligation of the state to provide gain-sharing benefits in the future?

BRIEF ANSWER

For the reasons set forth below, we conclude that the answer to your question is yes, in that the Legislature retains the authority to amend or repeal the gain-sharing provisions of the public employee pension statutes in the future and, if it does so, no contractual claim can be made for gain-sharing distributions due after that date. While the Washington Supreme Court has held that the pension statutes do create certain rights for public employees that are contractual in nature, the Court has also held that those rights consist of a pension substantially in accord with the statutes as they exist when the employee begins service.

Here, the statutes in question have always clearly and unequivocally provided that the gain-sharing provisions do not create a contractual right in any public employee member or

ATTORNEY GENERAL OF WASHINGTON

Honorable Matthew M. Smith

- 2 -

AGO 2005 No. 16

beneficiary to receive gain-sharing distributions in the future, and that the Legislature may amend or repeal these particular statutes at any time.

ANALYSIS

Your question concerns the “gain-sharing” provisions of the public employee pension statutes that the Legislature enacted in 1998 and amended in 2000 and 2003. RCW 41.31 and 41.31A provide for an additional payment to be made to members and beneficiaries of certain pension plans when there have been four consecutive years of “extraordinary gains”. When gain-sharing occurs, half of the extraordinary gains are distributed to eligible members or beneficiaries.¹ RCW 41.31.020; RCW 41.31A.020(3), .030(3), .040(3). RCW 41.31 governs gain-sharing for persons covered by Public Employees’ Retirement System (PERS) Plan 1 and Teachers’ Retirement System (TRS) Plan 1. RCW 41.31A governs gain-sharing for persons covered by PERS Plan 3, TRS Plan 3, and School Employees’ Retirement System (SERS) Plan 3.

However, in the 1998 act, as well as the 2000 and 2003 amendments, the Legislature enacted reservation of rights clauses that specifically limited the gain-sharing rights of current and future members and beneficiaries. The Plan 1 clause states:

The legislature reserves the right to amend or repeal this chapter in the future and no member or beneficiary has a contractual right to receive this postretirement adjustment not granted prior to that amendment or repeal.

RCW 41.31.030. The Plan 3 clauses are worded substantially the same. They read:

The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to receive this distribution not granted prior to that time.

RCW 41.31A.020(4), .030(5), .040(5).

Your question concerns the effect of the above provisions, in light of the law governing public pensions in this state. We turn first to the seminal Washington case on this subject, *Bakenhus v. City of Seattle*, 48 Wn.2d 695, 701, 296 P.2d 536 (1956). There, the Court stated:

[T]he employee who accepts a job to which a pension plan is applicable contracts for a substantial pension and is entitled to receive the same when he has fulfilled the prescribed conditions. His pension rights may be modified prior to retirement, but only for the purpose of keeping the pension system flexible and maintaining its integrity.

¹ The actual manner of distribution of the gain-sharing amount set out in detail in the statutes is complicated and not necessary to the discussion of the issues in this opinion.

ATTORNEY GENERAL OF WASHINGTON

Honorable Matthew M. Smith

- 3 -

AGO 2005 No. 16

The Court has since clarified that “at least some pension rights are contractual in nature”. *Retired Pub. Employees Coun. v. Charles*, 148 Wn.2d 602, 624, 62 P.3d 470 (2003). While the pension statutes are not in themselves contracts, they provide the right to receive certain benefits that constitute deferred compensation to the employee for services rendered. *Noah v. State*, 112 Wn.2d 841, 844, 774 P.2d 516 (1989). If it were otherwise, these benefits would amount to mere gratuities that are prohibited by the state constitution. *Bakenhus*, 48 Wn.2d at 698. Accordingly, the following have been held to be vested rights that are protected from subsequent impairment: size of a pension (*Bakenhus*); right to the statutory retirement age at the time of employment (*Eagan v. Spellman*, 90 Wn.2d 248, 258, 581 P.2d 1038 (1978)); right to a practice of including certain lump sum payments in the calculation of retirement benefits (*Washington Ass’n of Cy. Officials v. Washington Pub. Employees’ Ret. Sys. Bd.*, 89 Wn.2d 729, 733, 575 P.2d 230 (1978)); right to add to a pension by using accrued vacation pay (*Washington Fed’n of State Employees v. State*, 98 Wn.2d 677, 679, 658 P.2d 634 (1983)); and right to the systematic funding of the retirement system to maintain actuarial soundness (*Charles*, 148 Wn.2d at 625).

Nevertheless, the question remains: Assuming that a certain pension benefit created by statute constitutes a right contractual in nature, what is the extent of the right that has been created? *Bakenhus* answered as follows:

The problem arises in determining the extent of the contractual undertaking on the part of the state or municipal authority which has promised the pension. . . . *The promise on which the employee relies is that which is made at the time he enters employment; and the obligation of the employer is based upon that promise.*

48 Wn.2d at 700 (emphasis added). This interpretation of the pension statutes is reasonable, *Bakenhus* continued, because it “gives effect to the reasonable expectations of the employee and at the same time allows the legislature the freedom necessary to improve the pension system and adapt it to changing economic conditions”. *Id.* at 701.

The right to a public pension “commence[s] . . . with the first day of employment or service, and continue[s] to vest with each day’s service thereafter”. *Tembruell v. City of Seattle*, 64 Wn.2d 503, 506, 392 P.2d 453 (1964). Significantly, however, as clarified in *Noah*, such “vesting” refers to “the contractual right to a pension *substantially in accord with the statutes as they existed when the employee begins service*”. *Noah*, 112 Wn.2d at 845 n.1 (emphasis added).

In the cases noted above, the Supreme Court invalidated attempts to rescind pension benefits previously granted to public employees. Those cases are all distinguishable from the present situation, however, because none of them involved statutes containing clauses that both specifically reserve the Legislature’s right to amend or repeal the benefits in question in the future (e.g., gain-sharing), and they clearly state that the Legislature is not granting any contractual right to any benefits not granted before such amendment or repeal. We find this difference to be critical, because the “contractual” theory underpinning *Bakenhus* (and subsequent public pension cases) stresses the importance of: (1) upholding the “reasonable

ATTORNEY GENERAL OF WASHINGTON

Honorable Matthew M. Smith

- 4 -

AGO 2005 No. 16

expectations” of the member or beneficiary,² and (2) not renegeing on the promise originally made to the members when they joined the pension system. We do not read the decisions to hold that the Legislature is prohibited from initially setting clear limits on the benefits being afforded to members and beneficiaries; rather, we read them to hold that the Legislature cannot later retroactively depart from the terms set forth in the original statutes granting such benefits.

A recent Oregon case related to pension benefits concurs with this reasoning. *Strunk v. Pub. Employees Ret. Bd.*, 338 Or. 145, 108 P.3d 1058 (2005). Although the Oregon Supreme Court has held that the pension statutes can create contractual rights for PERS beneficiaries, it has also held that the Legislature may limit the extent of such contractual rights by including clear statutory language to this effect. One of the issues raised in *Strunk* concerned the Oregon Legislature’s 1991 repeal of the tax exemption for PERS benefits. The Oregon Supreme Court had held (in an earlier case, *Hughes v. Oregon*, 314 Or. 1, 838 P.2d 1018 (1992)) that this repeal in effect breached PERS members’ contractual rights, requiring a legislative remedy. When the Oregon Legislature failed to act, class action litigation was brought, leading to a settlement for damages covering all PERS retirees who were PERS members before the effective date of the 1991 tax repeal. The Legislature adopted the terms of the settlement and codified them in the Oregon statutes, specifically Or. Rev. Stat. §§ 238.375 to 238.380. The implementation of these terms resulted in an annual increase in employer contribution rates to PERS of approximately 1.4 percent. Significantly, however, the Oregon Legislature included the following provision in Or. Rev. Stat. § 238.375(3):

No member of the system or beneficiary of a member of the system shall acquire a right, contractual or otherwise, to the increased benefits provided by [Or. Rev. Stat. §§ 238.375 - .380].

Strunk, 108 P.3d at 1079.

When the Oregon Legislature passed certain laws in 2003 lowering PERS retirement benefits, the PERS member petitioners in *Strunk* argued that doing so impermissibly repealed the benefits they had obtained by virtue of the settlement that had been codified into the Oregon PERS statutes. The court disagreed:

Respondents argue, we conclude correctly, that the . . . settlement agreement by its specific terms limited petitioners’ rights to those set out in the 1991 legislation and that that legislation expressly disavowed the creation of any contractual rights. The wording of ORS 238.375(3) . . . could not be clearer in that respect. Nothing about the context of that wording alters what we perceive to be the legislature’s manifest intent. Because petitioners have failed to demonstrate a

² The “reasonable expectation” test is an objective test, rather than one based upon the specific expectations of individual employees. *Bowles v. Dep’t of Ret. Sys.*, 121 Wn.2d 52, 67, 847 P.2d 440 (1993). Furthermore, a retirement system member is presumed to know the law by reading the pension statute. *Retired Pub. Employees Coun. v. State*, 104 Wn. App. 147, 151-52, 16 P.3d 65 (2001).

ATTORNEY GENERAL OF WASHINGTON

Honorable Matthew M. Smith

- 5 -

AGO 2005 No. 16

contractual right that [the 2003 Oregon laws are] capable of breaching with respect to the . . . settlement, we reject their argument.

Id.

The Washington State Supreme Court has addressed the Legislature's power to amend contractual rights in public contracts in non-pension contexts. These cases indicate that contract rights may be made subject to future alteration by the Legislature, *if* the Legislature's reservation clause is clear and specific enough. In *Caritas Servs., Inc. v. Dep't of Social & Health Servs.*, 123 Wn.2d 391, 869 P.2d 28 (1994), at issue was whether amendments to the Nursing Homes Auditing and Cost Reimbursement Act of 1980 (RCW 74.46), and related regulations, unconstitutionally impaired contract rights by retroactively reducing nursing home reimbursement rates under the Medicaid program. The contract clause there provided:

All rights and obligations of the parties to this agreement shall be . . . governed by the terms of this agreement or as set forth in the laws and regulations of the State of Washington and the United States, *as now existing or hereafter adopted or amended*, relating to the administration of the Title XIX Medicaid program, payment for services under such program and operation of nursing homes generally[.]

Caritas, 123 Wn.2d at 404 (ellipses and emphasis in original). The Court found that this language was not specific enough to allow the Legislature to subject the existing contract to future, retroactive modification. "[O]ur case law requires such reservation clauses to be made *explicitly* contingent on future acts of the Legislature with retroactive effect." *Id.* at 406 (emphasis in original). Similarly, in *Carlstrom v. State*, 103 Wn.2d 391, 393-95, 694 P.2d 1 (1985), the Court held that a reservation clause that made a public employment contract "subject to all present and future acts of the legislature" was not specific enough to subject the contract to retroactive modification. *Accord Cont'l Illinois Nat'l Bank & Trust Co. v. Washington*, 696 F.2d 692, 698-99 (9th Cir. 1983).

On the other hand, the Court in *Caritas* added: "To forestall confusion, we note that states or agencies may put potential contractors explicitly on notice that the terms of a public contract are subject to retroactive adjustment as the whims or the budgetary necessity of the state may dictate." *Caritas*, 123 Wn.2d at 406-07, n.9. See also *Trustees of Dartmouth College v. Woodward*, 17 U.S. 518, 666, 4 L. Ed. 629 (1819) (Story, J., concurring). In *Carlstrom*, the Court emphasized that "[t]he Legislature knows how to use plain English to make existing contracts subject to future modification" (*Carlstrom*, 103 Wn.2d at 398), thus implying that the Court would uphold and enforce such specific language in a future case. The Court has also reiterated that reservation clauses must adhere to policies of fairness, such as those underlying the public pension cases. *Caritas*, 123 Wn.2d at 407, n.9, citing Laurence H. Tribe, *American Constitutional Law* 618-19 (2d ed. 1988) ("noting that the most basic purposes of the contract clause point to the simple principle that the government must keep its word"), and citing *General Motors Corp. v. Romein*, 503 U.S. 181, 191, 112 S. Ct. 1105, 117 L. Ed. 2d 328 (1992).

ATTORNEY GENERAL OF WASHINGTON

Honorable Matthew M. Smith

- 6 -

AGO 2005 No. 16

(retroactive legislation presents problems of unfairness where it deprives citizens of legitimate expectations).

Applying these principles, we believe that the provisions in RCW 41.31.030, 41.31A.020(4), 41.31A.030(5), and 41.31A.040(5), containing “non-contractual rights clauses”, are sufficient to negate any obligation of the state to provide gain-sharing benefits that have not been provided prior to any subsequent modification or repeal of the gain-sharing statutes. The reservation clauses here do not contain merely general statements that the gain-sharing statutes are “subject to all present and future acts of the legislature” (*Carlstrom*, 103 Wn.2d at 393-95), or that they are subject to laws “now existing or hereafter adopted or amended” (*Caritas*, 123 Wn.2d at 404). They go much further than this, stating not only that the Legislature reserves the right to amend or repeal these sections in the future, but also stating—clearly and explicitly—that “no member or beneficiary has a contractual right to receive [a gain-sharing] distribution not granted prior to that time” (RCW 41.31.030; RCW 41.31A.020(4), .030(5), .040(5)).

A retirement system member is presumed to know the law by reading the pension statute. *Retired Pub. Employees Coun. v. State*, 104 Wn. App. at 151-52. As the Oregon Supreme Court held in construing nearly identical language in *Strunk*, we do not believe the Legislature’s expressed intent could be clearer in this respect. Furthermore, we do not believe that members or beneficiaries, in light of this language, can claim a “reasonable expectation” (in the words of *Bakenhus*) to receive a continuous and unending right to gain-sharing distributions in the future. “The promise on which the employee relies is that which is made at the time he enters employment; and the obligation of the employer is based upon that promise.” *Bakenhus*, 48 Wn.2d at 700. The “promise” of the Legislature here included a specific—but clearly limited—right to receive gain-sharing.

We trust that the foregoing will be of assistance to you.

Sincerely,

ROB MCKENNA
Attorney General



GREGORY J. TRAUTMAN
Assistant Attorney General
(360) 664-1183



:aj
:pmd

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	11/1/05	HB 1324 (2006)

SUMMARY OF BILL (*benefit provisions only*):

This bill impacts the Public Employees', Teachers' and School Employees' Retirement Systems.

A. *Plan 3 Gain-Sharing Tradeoff*

This proposed legislation impacts the Plans 2 and 3 of the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS) and the Public Employees' Retirement System (PERS). It eliminates Plan 3 gain-sharing for TRS and PERS. Existing Plan 3 gain-sharing provisions would be replaced with a rule of 90 that uses an age 60 minimum, and that has unreduced benefits for prospective service only in TRS 2/3, SERS 2/3 and PERS 2/3. In addition, Plan 2/3 choice would be added for new hires in TRS and SERS (same structure for choice as in PERS). The proposed legislation amends Plan 3 gain-sharing for SERS by providing an annual contribution to the defined contribution accounts of existing SERS 3 members. The SERS 3 contribution would be \$10 times years of service.

As part of the tradeoff package, the proposed legislation also removes the Plan 3 provision that allows members to change their employee contribution rate by notifying their employer in writing during the month of January. The bill also amends the section of the actuarial funding chapter addressing employee contributions in order to make it consistent with the changes to gain-sharing.

Effective Date: July 1, 2007

B. *Plan 1 Gain-Sharing Tradeoff*

This legislation also impacts the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) by:

- Enhancing the annual increase amount by 20 cents. This would raise the July 1, 2006 amount from \$1.29 to \$1.49.
- Establishing a \$1,000 alternative minimum benefit for members with 20 years of service who have been retired 25 years.
- Establishing a 3% annual escalator for both \$1,000 alternative minimum benefit provisions.
- Amending Uniform COLA eligibility requirements to include all retirees who have been retired one year and will have attained age 66 by December 31st of the calendar year in which the increase is given.
- Repealing plan 1 gain-sharing.

The Plan 1 "tradeoff" would take effect immediately upon passage.

CURRENT SITUATION:

A. *Plan 3 Gain-Sharing Tradeoff*

Currently, gain-sharing applies to the Plans 1 and 3 of TRS, SERS and PERS. Gain-sharing is a mechanism that increases benefits. The increases are not automatic, but are contingent on the occurrence of "extraordinary investment gains." Extraordinary gains occur when the compound average of investment returns on pension fund assets exceeds 10% for the previous four state fiscal years. When this occurs, a calculation is performed to determine a dollar amount that will be distributed to eligible members. Gain-sharing calculations are currently made once each biennium with potential distributions occurring in January of even-numbered years. In the Plans 3, active, retired and terminated vested members receive distributions as a lump sum dollar amount that is deposited directly into their defined contribution accounts based on years of service credit. There have been two gain-sharing distributions since the inception of gain-sharing: one in 1998 and one in 2000.

Currently, Plan 2/3 members of TRS, SERS and PERS are eligible to retire with unreduced benefits when they are vested and reach age 65. The vesting period for the Plans 2 is five years. The vesting period for the defined benefit component of the Plans 3 is 10 years, or 5 years if 12 months of service were accrued after attaining age 54. (Plan 3 members are immediately vested in the defined contribution portion of their benefit, and Plan 3 members are vested if they were vested in Plan 2 when they transferred.)

Currently, of the three systems, PERS is the only one that has Plan 2/3 choice. New PERS employees have a period of ninety days to make an irrevocable choice to become a member of Plan 2 or Plan 3. At the end of ninety days, if the member has not made a choice to become a member of Plan 2, he or she automatically becomes a member of Plan 3. In TRS and SERS, new employees automatically become members of Plan 3, and the Plans 2 are closed to new hires.

Current law provides that members of the Plans 3 may change their contribution rate option by notifying their employer in writing during the month of January. In practice, this provision is only available to TRS 3 members, as the IRS has not approved contribution rate flexibility for PERS and SERS. An application for IRS approval had been pending for approximately 2.5 years. It was recently determined by the IRS that PERS 3 and SERS 3 members would not be permitted to participate in this rate change window.

B. *Plan 1 Gain-Sharing Trade-off*

The Annual Increase Amount is multiplied by each retirees' months of service to determine the annual uniform increase retirees receive when they are COLA eligible. The most recent Annual Increase Amount was \$1.25. The Annual Increase Amount increases each year by at least 3 percent. Gain-sharing is also used to boost the Annual Increase Amount; 38 cents of the current amount is a result of gain-sharing. The Annual Increase Amount is scheduled to increase to \$1.29 on July 1, 2006.

The current \$1,000 alternative minimum benefit was established in 2004. PERS 1 and TRS 1 members with 25 years of service who have been retired 20 years are eligible for this benefit. The

benefit has no automatic escalator and, as a result, will effectively cease in 2010 when the original minimum benefit, which increases each year by the Annual Increase Amount, will produce a benefit greater than \$1,000 for a retired member with 25 years of service.

The current Uniform COLA provisions require PERS 1 and TRS 1 members to have been retired one year and to be at least age 66 on July 1st to be eligible for the adjustment paid on July 1st.

Gain sharing in PERS 1 and TRS 1 occurs on even-numbered years. An extraordinary investment gain occurs when the average rate of return on assets for the previous 4-year period exceeds 10%. When this gain occurs, one-half of the gain for PERS 1 and TRS 1 is used to fund a permanent increase in the PERS 1 and TRS 1 Uniform COLA for current and future retirees.

MEMBERS IMPACTED:

The 20 cent COLA and the repeal of Plan 1 gain sharing will impact all 75,390 members of PERS 1 and all 45,961 members of TRS 1. The new eligibility requirements for the \$1,000 minimum will impact 561 PERS 1 members and 497 TRS 1 members, and indexing the \$1,000 will impact an additional 391 PERS 1 members and 338 TRS 1 members.

The age 66 COLA will impact half the members in PERS 1 and TRS1 under age 65.

TRS Plan 1	Under Age 65	Total
Receiving a Benefit	11,499	34,624
Actives	9,620	9,862
Terminated & Vested	1,446	1,475

PERS Plan 1	Under Age 65	Total
Receiving a Benefit	12,610	54,568
Actives	16,893	17,829
Terminated & Vested	2,854	2,993

For a typical member impacted by this bill, the uncertain and irregular adjustment to the Annual Increase Amount provided by gain sharing is exchanged for a definitely determinable increase. Instead of providing adjustments to the Annual Increase Amount with gain sharing, the Annual Increase Amount would be permanently increased by 20 cents. A retiree with 25 years of service would get an initial increase of \$5 per month. This same retiree would receive an increase of \$10.15 per month in the second year, \$15.45 in the third year and so on.

The repeal of Plan 3 gain sharing for PERS and TRS and the modification of Plan 3 gain sharing for SERS could potentially impact all current and future members of PERS 3, TRS 3, and SERS 3, including all of the active Plan 3 members except those that would not meet the requirement of having a minimum \$1,000 balance in the member account, all of the Plan 3 annuitants, all of the Plan 3 terminated vested members meeting the minimum balance requirement, and any Plan 3 terminated non-vested members who are rehired.

<i>(As of September 30, 2004)</i>	PERS 3	TRS 3	SERS 3
Active	19,855	49,302	29,430
Annuitants	222	541	481
Terminated and Vested	1,284	2,761	2,035
Total	21,361	52,604	31,946

Rule of 90 Benefit

	PERS 2	PERS 3	TRS 2	TRS 3	SERS 2	SERS 3
Number of Affected - Active	83,165	15,023	5,184	38,873	11,988	16,629
Total Active Members	118,572	19,855	7,470	49,302	20,424	29,430

Regarding the Plan 2/3 choice, this will impact TRS and SERS members hired on or after July 1, 2007. We estimate that from October 1, 2007 to September 30, 2008, there will be a total of 4,568 new TRS members and 5,452 new SERS members. The number of new members is expected to increase each year. We estimate that 50% of these new members would elect to join Plan 2 and 50% would elect Plan 3.

Regarding the SERS contribution, this will impact 31,946 members of SERS 3, including 29,430 active SERS 3 members, 481 SERS 3 annuitants, and 2,035 SERS 3 terminated vested members. This is the same as the number of SERS 3 members impacted by the repeal of gain sharing. The only difference is that to receive the contribution at any time in the future, a member would need to meet the eligibility requirements on the effective date of the act and the eligibility requirements on the effective date of a future distribution.

Regarding the removal of the Plan 3 provision that allows members to change their employee contribution rate by notifying their employer in writing during the month of January, this would impact 19,855 active PERS 3 members, 49,302 active TRS 3 members, and 29,430 active SERS 3 members.

For a member impacted by the Rule of 90 portion of the bill, the increase in benefits would be the removal of benefit reduction for early retirement without the Rule of 90 for service accrued after the effective date of the act. For example, a member hired after the effective date retiring at age 60 with 30 years of service would be entitled to an unreduced benefit instead of a benefit with a 15% reduction. A member age 45 with 15 years of service as of the effective date retiring at age 60 with 30 years of service would be entitled to a benefit with a 7.5% reduction instead of a benefit with a 15% reduction (one-half of the 15% reduction, since 15 years out of 30, or one-half, of the service would have been credited before the effective date).

Regarding the \$10 SERS 3 contribution, the \$10 multiplier would increase at 3% per year and the contribution amount would increase for each additional year of service. The typical SERS 3 member would receive a benefit with a present value of \$2,200. An eligible SERS 3 member with 11 years of service would receive an employer contribution of \$110 the first year, and if the member remained employed by SERS, the member would receive \$124 the second year and \$526 the twentieth year. The amount would continue to be deposited to the eligible member's account for life, or until termination of employment if the member is non-vested.

Regarding the removal of the Plan 3 provision that allows members to change their employee contribution rate by notifying their employer in writing during the month of January, this would impact the defined contribution portion of the plan and would have no impact on benefits under the defined benefit plan.

ASSUMPTIONS:

We assumed that employer contribution rates would decrease after the proposed repeal of gain-sharing because rates under current policy and generally adopted by the PFC include the cost of future gain-sharing benefits. The cost impact was developed using the same logic as used for the 2003 valuation (rates were determined assuming a delayed effective date from the valuation date to 2007).

For pricing the Rule of 90 portion of the bill, we assumed that there would be an increase in retirement rates due to the Rule of 90. The additional rates or "kickers" are provided at the end of this fiscal note. The additional rates at age 60 are higher to reflect the pent-up demand for the benefit from the members who satisfy the rule of 90 before the minimum age of 60. Since the portion of the benefit without reduction for early commencement would apply to prospective service only, we determined the price of this benefit using the increase in the Entry Age Normal Cost rate (EANC) for current members and for new entrants.

For pricing the cost of choice, we determined the Entry Age Normal Cost rate (EANC) for Plan 2 as if every active Plan 2 and Plan 3 member were in Plan 2, and we determined the EANC for Plan 3 as if every active Plan 2 and Plan 3 member were in Plan 3. We calculated the excess of the employer portion of the EANC for Plan 2 over the EANC for Plan 3 and then took 50% of the difference to reflect our assumption that 50% of new members in TRS and SERS would elect to join Plan 2 and 50% would elect Plan 3. Since the choice would only apply to new members, we assumed no rate increase for choice for the current members, and applied the rate increase for choice to the projected payroll for the new members only.

We considered making an adjustment for the cost of choice based on the age of members who would elect Plan 2 compared to the age of members who would elect Plan 3, however, after reviewing the choices made by new members in PERS over an 18-month period, there was no significant difference in choice based on age.

For the SERS 3 contribution, we projected the total years of credited service for eligible SERS 3 members, active and inactive, multiplied the service by the indexed benefit, and took the present value at 8%.

FISCAL IMPACT:

Description:

The decrease in contribution rates from the proposed repeal of future gain sharing is partially offset by the increase due to the proposed benefit improvements.

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing (decreasing) the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

<i>(Dollars in Millions)</i>		Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	PERS	\$28,718	\$(155)	\$28,563
	TRS	\$16,407	\$(442)	\$15,965
	SERS	\$2,296	\$(74)	\$2,222
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	PERS 1	\$3,052	\$(227)	\$2,825
	TRS 1	\$1,816	\$(182)	\$1,634
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	PERS	\$(162)	\$(147)	\$(309)
	TRS	\$309	\$(266)	\$43
	SERS	\$(360)	\$(26)	\$(386)

Increase in Contribution Rates:

(Effective 09/01/06 unless indicated otherwise)

Current Members

Employee

Repeal Gain Sharing (effective 7/1/07 for PERS, 9/1/07 for TRS and SERS)	0.00%	0.00%	0.00%
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Modified Rule of 90	0.18%	0.34%	0.17%
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Plan 2/3 Choice	0.00%	0.00%	0.00%
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SERS 3 Contribution	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
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Total Benefit Improvements	0.18%	0.34%	0.17%
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Net Employee (Plan 2)	0.18%	0.34%	0.17%
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Employer State

Plan 1	(0.46%)	(0.94%)	(0.46%)
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Repeal Gain Sharing (effective 7/1/07 for PERS, 9/1/07 for TRS and SERS)			
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\$0.20 Uniform COLA Increase	0.19%	0.40%	0.19%
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\$1000 Minimum Benefit Enhancement	0.01%	0.01%	0.01%
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Age 66 Uniform COLA Improvement	<u>0.03%</u>	<u>0.06%</u>	<u>0.03%</u>
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Total Benefit Improvements	0.23%	0.47%	0.23%
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Net Plan 1 Employer State	(0.23%)	(0.47%)	(0.23%)
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Increase in Contribution Rates:

(Effective 09/01/06 unless indicated otherwise)

Plan 2/3Repeal Gain Sharing (effective 7/1/07 for PERS,
9/1/07 for TRS and SERS)

PERS	TRS	SERS
(0.25%)	(1.24%)	(2.09%)

Modified Rule of 90

Plan 2/3 Choice

SERS 3 Contribution

Total Benefit Improvements

0.18%	0.34%	0.17%
0.00%	0.00%	0.00%
<u>0.00%</u>	<u>0.00%</u>	<u>0.68%</u>
0.18%	0.34%	0.85%

Net Plan 2/3 Employer State

(0.07%)	(0.90%)	(1.24%)
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Total Employer State

(0.30%)	(1.37%)	(1.47%)
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New Entrants***Employee**Repeal Gain Sharing (effective 7/1/07 for PERS,
9/1/07 for TRS and SERS)

0.00%	0.00%	0.00%
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Modified Rule of 90

Plan 2/3 Choice

SERS 3 Contribution

Total Benefit Improvements

0.18%	0.34%	0.17%
0.00%	0.13%	0.15%
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
0.18%	0.47%	0.32%

Net Employee (Plan 2)

0.18%	0.47%	0.32%
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Employer StateRepeal Gain Sharing (effective 7/1/07 for PERS,
9/1/07 for TRS and SERS)

(0.34%)	(1.05%)	(2.50%)
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Modified Rule of 90

Plan 2/3 Choice

SERS 3 Contribution

Total Benefit Improvements

0.18%	0.34%	0.17%
0.00%	0.13%	0.15%
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
0.18%	0.47%	0.32%

Net Employer State

(0.16%)	(0.58%)	(2.18%)
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*Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.

Fiscal Budget Determinations (Repeal gain sharing - All plans):

As a result of the lower required contribution rates, the decrease in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.0	\$0.0	\$0.0	\$0.0
Non-General Fund	\$0.0	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.0	\$0.0	\$0.0
Local Government	\$0.0	\$0.0	\$0.0	\$0.0
Total Employer	\$0.0	\$0.0	\$0.0	\$0.0
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	(\$24.3)	(\$127.5)	(\$34.0)	(\$185.8)
Non-General Fund	<u>(\$42.6)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$42.6)</u>
Total State	(\$66.9)	(\$127.5)	(\$34.0)	(\$228.4)
Local Government	(\$59.9)	(\$63.6)	(\$51.1)	(\$174.6)
Total Employer	(\$126.8)	(\$191.1)	(\$85.1)	(\$403.0)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	(\$445.1)	(\$2,251.3)	(\$838.5)	(\$3,534.9)
Non-General Fund	<u>(\$802.1)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$802.1)</u>
Total State	(\$1,247.2)	(\$2,251.3)	(\$838.5)	(\$4,337.0)
Local Government	(\$1,120.2)	(\$1,124.3)	(\$1,258.2)	(\$3,502.7)
Total Employer	(\$2,367.4)	(\$3,375.6)	(\$2,096.7)	(\$7,839.7)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Fiscal Budget Determinations (Benefit improvements - All plans):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$5.1	\$22.0	\$5.0	\$32.1
Non-General Fund	<u>\$9.1</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$9.1</u>
Total State	\$14.2	\$22.0	\$5.0	\$41.2
Local Government	\$12.7	\$12.0	\$7.3	\$32.0
Total Employer	\$26.9	\$34.0	\$12.3	\$73.2
Total Employee	\$8.5	\$2.9	\$1.1	\$12.5
2007-2009				
State:				
General Fund	\$13.3	\$49.9	\$11.7	\$74.9
Non-General Fund	<u>\$23.8</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$23.8</u>
Total State	\$37.1	\$49.9	\$11.7	\$98.7
Local Government	\$33.3	\$25.0	\$17.4	\$75.7
Total Employer	\$70.4	\$74.9	\$29.1	\$174.4
Total Employee	\$21.6	\$7.7	\$3.0	\$32.3
2006-2031				
State:				
General Fund	\$242.1	\$977.1	\$176.7	\$1,395.9
Non-General Fund	<u>\$438.6</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$438.6</u>
Total State	\$680.7	\$977.1	\$176.7	\$1,834.5
Local Government	\$611.3	\$489.3	\$264.8	\$1,365.4
Total Employer	\$1,292.0	\$1,466.4	\$441.5	\$3,199.9
Total Employee	\$423.5	\$340.6	\$112.1	\$876.2

Fiscal Budget Determinations (All changes - All Plans):

As a result of the higher (lower) required contribution rate, the increase (decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$5.1	\$22.0	\$5.0	\$32.1
Non-General Fund	<u>\$9.1</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$9.1</u>
Total State	\$14.2	\$22.0	\$5.0	\$41.2
Local Government	\$12.7	\$12.0	\$7.3	\$32.0
Total Employer	\$26.9	\$34.0	\$12.3	\$73.2
Total Employee	\$8.5	\$2.9	\$1.1	\$12.5
2007-2009				
State:				
General Fund	(\$11.0)	(\$77.6)	(\$22.3)	(\$110.9)
Non-General Fund	<u>(\$18.8)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$18.8)</u>
Total State	(\$29.8)	(\$77.6)	(\$22.3)	(\$129.7)
Local Government	(\$26.6)	(\$38.6)	(\$33.7)	(\$98.9)
Total Employer	(\$56.4)	(\$116.2)	(\$56.0)	(\$228.6)
Total Employee	\$21.6	\$7.7	\$3.0	\$32.3
2006-2031				
State:				
General Fund	(\$203.0)	(\$1,274.2)	(\$661.8)	(\$2,139.0)
Non-General Fund	<u>(\$363.5)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$363.5)</u>
Total State	(\$566.5)	(\$1,274.2)	(\$661.8)	(\$2,502.5)
Local Government	(\$508.9)	(\$635.0)	(\$993.4)	(\$2,137.3)
Total Employer	(\$1,075.4)	(\$1,909.2)	(\$1,655.2)	(\$4,639.8)
Total Employee	\$423.5	\$340.6	\$112.1	\$876.2

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Rule of 90 Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2003 actuarial valuation report of the Teachers' Retirement System, School Employees' Retirement System, and Public Employees' Retirement System. Rule of 90 fiscal Budget Determinations were based on 2004 data. All other costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2004 actuarial valuation report of the Teachers' Retirement System, School Employees' Retirement System, and Public Employees' Retirement System. Gain-sharing costs were based on the methods used in the 2003 valuation, adjusted for the delay in the recognition of the cost of gain-sharing.
2. As with the costs developed in the actuarial valuation, the emerging costs of the Systems will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

Rule of 90						
Kicker Added to Retirement Probability						
	PERS Male	PERS Female	SERS Male	SERS Female	TRS Male	TRS Female
Age						
60	0.44	0.33	0.38	0.45	0.45	0.45
61	0.29	0.22	0.25	0.30	0.30	0.30
62	0.29	0.16	0.25	0.20	0.30	0.20
63	0.11	0.16	0.25	0.20	0.25	0.20
64	0.11	0.16	0.25	0.20	0.25	0.20

The kicker (additional retirement rate) is added to the retirement probability at the age when a member is first eligible for the Rule of 90. For each year after the year first eligible, 25% of the kicker is added.

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This draft fiscal note is intended for use only during the 2006 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

8. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members. Benefit improvement rate increases are based on rates that exclude the cost of gain sharing.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Select Committee on Pension Policy

Supplement to HB 1324 (2006)

Fiscal Note

(November 1, 2005)

Fiscal Budget Determinations (Repeal plan 1 gain sharing only):

As a result of the lower required contribution rates, the decrease in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.0	\$0.0	\$0.0	\$0.0
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.0	\$0.0	\$0.0
Local Government	\$0.0	\$0.0	\$0.0	\$0.0
Total Employer	\$0.0	\$0.0	\$0.0	\$0.0
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	(\$16.1)	(\$56.1)	(\$6.0)	(\$78.2)
Non-General Fund	<u>(\$26.6)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$26.6)</u>
Total State	(\$42.7)	(\$56.1)	(\$6.0)	(\$104.8)
Local Government	(\$37.9)	(\$28.0)	(\$9.0)	(\$74.9)
Total Employer	(\$80.6)	(\$84.1)	(\$15.0)	(\$179.7)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	(\$217.4)	(\$733.1)	(\$80.9)	(\$1,031.4)
Non-General Fund	<u>(\$359.0)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$359.0)</u>
Total State	(\$576.4)	(\$733.1)	(\$80.9)	(\$1,390.4)
Local Government	(\$511.2)	(\$366.2)	(\$121.3)	(\$998.7)
Total Employer	(\$1,087.6)	(\$1,099.3)	(\$202.2)	(\$2,389.1)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 1 \$0.20 Uniform COLA Increase):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$2.6	\$10.6	\$1.0	\$14.2
Non-General Fund	<u>\$4.2</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$4.2</u>
Total State	\$6.8	\$10.6	\$1.0	\$18.4
Local Government	\$6.0	\$5.8	\$1.5	\$13.3
Total Employer	\$12.8	\$16.4	\$2.5	\$31.7
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	\$6.6	\$23.8	\$2.5	\$32.9
Non-General Fund	<u>\$11.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$11.0</u>
Total State	\$17.6	\$23.8	\$2.5	\$43.9
Local Government	\$15.7	\$11.9	\$3.7	\$31.3
Total Employer	\$33.3	\$35.7	\$6.2	\$75.2
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	\$92.3	\$322.3	\$34.4	\$449.0
Non-General Fund	<u>\$152.4</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$152.4</u>
Total State	\$244.7	\$322.3	\$34.4	\$601.4
Local Government	\$217.4	\$161.8	\$51.7	\$430.9
Total Employer	\$462.1	\$484.1	\$86.1	\$1,032.3
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 1 \$1,000 Minimum Benefit Enhancements):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.1	\$0.3	\$0.1	\$0.5
Non-General Fund	<u>\$0.2</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.2</u>
Total State	\$0.3	\$0.3	\$0.1	\$0.7
Local Government	\$0.3	\$0.1	\$0.1	\$0.5
Total Employer	\$0.6	\$0.4	\$0.2	\$1.2
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	\$0.4	\$0.6	\$0.2	\$1.2
Non-General Fund	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.6</u>
Total State	\$1.0	\$0.6	\$0.2	\$1.8
Local Government	\$0.8	\$0.3	\$0.2	\$1.3
Total Employer	\$1.8	\$0.9	\$0.4	\$3.1
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	\$4.9	\$8.0	\$1.9	\$14.8
Non-General Fund	<u>\$8.1</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$8.1</u>
Total State	\$13.0	\$8.0	\$1.9	\$22.9
Local Government	\$11.3	\$4.0	\$2.6	\$17.9
Total Employer	\$24.3	\$12.0	\$4.5	\$40.8
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 1 Age 66 Uniform COLA Eligibility Improvement):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.4	\$1.6	\$0.2	\$2.2
Non-General Fund	<u>\$0.7</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.7</u>
Total State	\$1.1	\$1.6	\$0.2	\$2.9
Local Government	\$0.9	\$0.9	\$0.2	\$2.0
Total Employer	\$2.0	\$2.5	\$0.4	\$4.9
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	\$1.0	\$3.5	\$0.4	\$4.9
Non-General Fund	<u>\$1.7</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$1.7</u>
Total State	\$2.7	\$3.5	\$0.4	\$6.6
Local Government	\$2.5	\$1.8	\$0.6	\$4.9
Total Employer	\$5.2	\$5.3	\$1.0	\$11.5
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	\$14.7	\$48.5	\$5.5	\$68.7
Non-General Fund	<u>\$24.3</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$24.3</u>
Total State	\$39.0	\$48.5	\$5.5	\$93.0
Local Government	\$34.2	\$24.2	\$8.1	\$66.5
Total Employer	\$73.2	\$72.7	\$13.6	\$159.5
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 1 All Benefit Improvements):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$3.1	\$12.5	\$1.3	\$16.9
Non-General Fund	<u>\$5.1</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$5.1</u>
Total State	\$8.2	\$12.5	\$1.3	\$22.0
Local Government	\$7.2	\$6.8	\$1.8	\$15.8
Total Employer	\$15.4	\$19.3	\$3.1	\$37.8
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	\$8.0	\$27.9	\$3.1	\$39.0
Non-General Fund	<u>\$13.3</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$13.3</u>
Total State	\$21.3	\$27.9	\$3.1	\$52.3
Local Government	\$19.0	\$14.0	\$4.5	\$37.5
Total Employer	\$40.3	\$41.9	\$7.6	\$89.8
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	\$111.9	\$378.8	\$41.8	\$532.5
Non-General Fund	<u>\$184.8</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$184.8</u>
Total State	\$296.7	\$378.8	\$41.8	\$717.3
Local Government	\$262.9	\$190.0	\$62.4	\$515.3
Total Employer	\$559.6	\$568.8	\$104.2	\$1,232.6
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Fiscal Budget Determinations (Plan 1 All Changes):

As a result of the higher (lower) required contribution rates, the increase (decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$3.1	\$12.5	\$1.3	\$16.9
Non-General Fund	<u>\$5.1</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$5.1</u>
Total State	\$8.2	\$12.5	\$1.3	\$22.0
Local Government	\$7.2	\$6.8	\$1.8	\$15.8
Total Employer	\$15.4	\$19.3	\$3.1	\$37.8
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	(\$8.1)	(\$28.2)	(\$2.9)	(\$39.2)
Non-General Fund	<u>(\$13.3)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$13.3)</u>
Total State	(\$21.4)	(\$28.2)	(\$2.9)	(\$52.5)
Local Government	(\$18.9)	(\$14.0)	(\$4.5)	(\$37.4)
Total Employer	(\$40.3)	(\$42.2)	(\$7.4)	(\$89.9)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	(\$105.5)	(\$354.3)	(\$39.1)	(\$498.9)
Non-General Fund	<u>(\$174.2)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$174.2)</u>
Total State	(\$279.7)	(\$354.3)	(\$39.1)	(\$673.1)
Local Government	(\$248.3)	(\$176.2)	(\$58.9)	(\$483.4)
Total Employer	(\$528.0)	(\$530.5)	(\$98.0)	(\$1,156.5)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Fiscal Budget Determinations (Repeal plan 3 gain sharing only):

As a result of the lower required contribution rates, the decrease in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.0	\$0.0	\$0.0	\$0.0
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.0	\$0.0	\$0.0
Local Government	\$0.0	\$0.0	\$0.0	\$0.0
Total Employer	\$0.0	\$0.0	\$0.0	\$0.0
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	(\$8.2)	(\$71.4)	(\$28.0)	(\$107.6)
Non-General Fund	<u>(\$16.0)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$16.0)</u>
Total State	(\$24.2)	(\$71.4)	(\$28.0)	(\$123.6)
Local Government	(\$22.0)	(\$35.6)	(\$42.1)	(\$99.7)
Total Employer	(\$46.2)	(\$107.0)	(\$70.1)	(\$223.3)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	(\$227.7)	(\$1,518.2)	(\$757.6)	(\$2,503.5)
Non-General Fund	<u>(\$443.1)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$443.1)</u>
Total State	(\$670.8)	(\$1,518.2)	(\$757.6)	(\$2,946.6)
Local Government	(\$609.0)	(\$758.1)	(\$1,136.9)	(\$2,504.0)
Total Employer	(\$1,279.8)	(\$2,276.3)	(\$1,894.5)	(\$5,450.6)
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 2/3 Modified Rule of 90):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$2.0	\$9.0	\$0.9	\$11.9
Non-General Fund	<u>\$4.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$4.0</u>
Total State	\$6.0	\$9.0	\$0.9	\$15.9
Local Government	\$5.5	\$4.9	\$1.4	\$11.8
Total Employer	\$11.5	\$13.9	\$2.3	\$27.7
Total Employee	\$8.5	\$2.5	\$0.9	\$11.9
2007-2009				
State:				
General Fund	\$5.3	\$20.2	\$2.2	\$27.7
Non-General Fund	<u>\$10.5</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$10.5</u>
Total State	\$15.8	\$20.2	\$2.2	\$38.2
Local Government	\$14.3	\$10.1	\$3.3	\$27.7
Total Employer	\$30.1	\$30.3	\$5.5	\$65.9
Total Employee	\$21.6	\$6.3	\$2.3	\$30.2
2006-2031				
State:				
General Fund	\$130.2	\$474.3	\$54.1	\$658.6
Non-General Fund	<u>\$253.8</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$253.8</u>
Total State	\$384.0	\$474.3	\$54.1	\$912.4
Local Government	\$348.4	\$237.3	\$81.4	\$667.1
Total Employer	\$732.4	\$711.6	\$135.5	\$1,579.5
Total Employee	\$423.5	\$251.7	\$64.3	\$739.5

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 2/3 Choice):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.0	\$0.5	\$0.2	\$0.7
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.5	\$0.2	\$0.7
Local Government	\$0.0	\$0.3	\$0.2	\$0.5
Total Employer	\$0.0	\$0.8	\$0.4	\$1.2
Total Employee	\$0.0	\$0.4	\$0.2	\$0.6
2007-2009				
State:				
General Fund	\$0.0	\$1.8	\$0.6	\$2.4
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$1.8	\$0.6	\$2.4
Local Government	\$0.0	\$0.9	\$0.9	\$1.8
Total Employer	\$0.0	\$2.7	\$1.5	\$4.2
Total Employee	\$0.0	\$1.4	\$0.7	\$2.1
2006-2031				
State:				
General Fund	\$0.0	\$124.0	\$38.3	\$162.3
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$124.0	\$38.3	\$162.3
Local Government	\$0.0	\$62.0	\$57.4	\$119.4
Total Employer	\$0.0	\$186.0	\$95.7	\$281.7
Total Employee	\$0.0	\$88.9	\$47.8	\$136.7

Fiscal Budget Determinations (Plan 3 SERS \$10 Contribution):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.0	\$0.0	\$2.6	\$2.6
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.0	\$2.6	\$2.6
Local Government	\$0.0	\$0.0	\$3.9	\$3.9
Total Employer	\$0.0	\$0.0	\$6.5	\$6.5
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2007-2009				
State:				
General Fund	\$0.0	\$0.0	\$5.8	\$5.8
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.0	\$5.8	\$5.8
Local Government	\$0.0	\$0.0	\$8.7	\$8.7
Total Employer	\$0.0	\$0.0	\$14.5	\$14.5
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0
2006-2031				
State:				
General Fund	\$0.0	\$0.0	\$42.5	\$42.5
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.0	\$42.5	\$42.5
Local Government	\$0.0	\$0.0	\$63.6	\$63.6
Total Employer	\$0.0	\$0.0	\$106.1	\$106.1
Total Employee	\$0.0	\$0.0	\$0.0	\$0.0

Select Committee on Pension Policy

Fiscal Budget Determinations (Plan 2/3 All Benefit Improvements):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$2.0	\$9.5	\$3.7	\$15.2
Non-General Fund	<u>\$4.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$4.0</u>
Total State	\$6.0	\$9.5	\$3.7	\$19.2
Local Government	\$5.5	\$5.2	\$5.5	\$16.2
Total Employer	\$11.5	\$14.7	\$9.2	\$35.4
Total Employee	\$8.5	\$2.9	\$1.1	\$12.5
2007-2009				
State:				
General Fund	\$5.3	\$22.0	\$8.6	\$35.9
Non-General Fund	<u>\$10.5</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$10.5</u>
Total State	\$15.8	\$22.0	\$8.6	\$46.4
Local Government	\$14.3	\$11.0	\$12.9	\$38.2
Total Employer	\$30.1	\$33.0	\$21.5	\$84.6
Total Employee	\$21.6	\$7.7	\$3.0	\$32.3
2006-2031				
State:				
General Fund	\$130.2	\$598.3	\$134.9	\$863.4
Non-General Fund	<u>\$253.8</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$253.8</u>
Total State	\$384.0	\$598.3	\$134.9	\$1,117.2
Local Government	\$348.4	\$299.3	\$202.4	\$850.1
Total Employer	\$732.4	\$897.6	\$337.3	\$1,967.3
Total Employee	\$423.5	\$340.6	\$112.1	\$876.2

Fiscal Budget Determinations (Plan 2/3 All Changes):

As a result of the higher (lower) required contribution rates, the increase (decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$2.0	\$9.5	\$3.7	\$15.2
Non-General Fund	<u>\$4.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$4.0</u>
Total State	\$6.0	\$9.5	\$3.7	\$19.2
Local Government	\$5.5	\$5.2	\$5.5	\$16.2
Total Employer	\$11.5	\$14.7	\$9.2	\$35.4
Total Employee	\$8.5	\$2.9	\$1.1	\$12.5
2007-2009				
State:				
General Fund	(\$2.9)	(\$49.4)	(\$19.4)	(\$71.7)
Non-General Fund	<u>(\$5.5)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$5.5)</u>
Total State	(\$8.4)	(\$49.4)	(\$19.4)	(\$77.2)
Local Government	(\$7.7)	(\$24.6)	(\$29.2)	(\$61.5)
Total Employer	(\$16.1)	(\$74.0)	(\$48.6)	(\$138.7)
Total Employee	\$21.6	\$7.7	\$3.0	\$32.3
2006-2031				
State:				
General Fund	(\$97.5)	(\$919.9)	(\$622.7)	(\$1,640.1)
Non-General Fund	<u>(\$189.3)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$189.3)</u>
Total State	(\$286.8)	(\$919.9)	(\$622.7)	(\$1,829.4)
Local Government	(\$260.6)	(\$458.8)	(\$934.5)	(\$1,653.9)
Total Employer	(\$574.4)	(\$1,378.7)	(\$1,557.2)	(\$3,483.3)
Total Employee	\$423.5	\$340.6	\$112.1	\$876.2

Select Committee on Pension Policy

Contribution Rate Projections

(October 28, 2005)

Rates shown below are based on the funding changes adopted during the 2005 legislative session (see Chapter 370, Laws of 2005). The rates have been determined using preliminary investment data through September 30, 2004, and assume an annual 8.0 percent rate of return thereafter.

Employee Projected Contribution Rates (Revised 10/05)					
	2005	2006	2007	2008	2009-2011
PERS					
Plan 1 Members	6.00%	6.00%	6.00%	6.00%	6.00%
Plan 2 Members	2.25%	3.50%	4.06%	4.74%	4.20%
TRS					
Plan 1 Members	6.00%	6.00%	6.00%	6.00%	6.00%
Plan 2 Members	2.48%	3.00%	3.04%	3.53%	4.40%
SERS					
Plan 2 Members	2.75%	3.75%	4.28%	4.70%	4.56%
LEOFF					
Plan 1 Members	0.00%	0.00%	0.00%	0.00%	0.00%
Plan 2 Members	6.99%	7.79%	8.54%	8.73%	8.62%
WSP					
Plan 1 Members	4.51%	4.51%	6.54%	6.54%	7.73%
Plan 2 Members	4.51%	4.51%	6.54%	6.54%	7.73%

Employer Projected Contribution Rates (Revised 10/05)					
	2005	2006	2007	2008	2009-2011
PERS Plans 1, 2, and 3					
Normal Cost	2.25%	3.50%	4.06%	4.74%	4.20%
Plan 1 UAAL	0.00%	0.00%	2.63%	2.63%	3.13%
Gain-Sharing	0.00%	0.00%	0.71%	0.71%	0.71%
Admin. Expense Charge	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>
Total	2.44%	3.69%	7.59%	8.27%	8.23%
TRS Plans 1, 2, and 3					
Normal Cost	2.73%	3.25%	3.29%	3.78%	4.65%
Plan 1 UAAL	0.00%	0.00%	3.85%	3.85%	5.21%
Gain-Sharing	0.00%	0.00%	2.18%	2.18%	2.18%
Admin. Expense Charge	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>
Total	2.92%	3.44%	9.51%	10.00%	12.23%
SERS Plans 2 and 3					
Normal Cost	2.75%	3.75%	4.28%	4.70%	4.56%
Plan 1 UAAL	0.00%	0.00%	2.63%	2.63%	3.13%
Gain-Sharing	0.00%	0.00%	2.55%	2.55%	2.55%
Admin. Expense Charge	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>
Total	2.94%	3.94%	9.65%	10.07%	10.43%
LEOFF 1					
Local Employer	0.00%	0.00%	0.00%	0.00%	0.00%
Admin. Expense Charge	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>
Local Employer Total	0.19%	0.19%	0.19%	0.19%	0.19%
State ³	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan 1 Total	0.19%	0.19%	0.19%	0.19%	0.19%
LEOFF 2					
Local Employer	4.20%	4.68%	5.13%	5.24%	5.17%
Admin. Expense Charge	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>
Local Employer Total	4.39%	4.87%	5.32%	5.43%	5.36%
State ³	<u>2.79%</u>	<u>3.11%</u>	<u>3.41%</u>	<u>3.49%</u>	<u>3.45%</u>
Plan 2 Total	7.18%	7.98%	8.73%	8.92%	8.81%
WSP					
Normal Cost - State	4.51%	4.51%	6.54%	6.54%	7.73%
Admin. Expense Charge	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>	<u>0.19%</u>
Total	4.70%	4.70%	6.73%	6.73%	7.92%

¹ Rates shown for 2007-2011 are preliminary estimates using 2004 data. They are based on current plan provisions and funding policy and assume that plan experience and investment return is consistent with the assumptions used in the 2003 actuarial valuation report.

² Plan 1 members' contribution rate is statutorily set at 6.0 percent. Members in Plan 3 do not make contributions to their defined benefit.

³ The state pays a portion of the total cost of LEOFF benefits.

⁴ Rates are effective 7/1 - 6/30 for PERS, LEOFF and WSP; 9/1 - 8/31 for TRS and SERS.



WASHINGTON STATE LEGISLATURE
Office of the State Actuary

October 31, 2005

Sandra J. Matheson, Director
Department of Retirement Systems
P.O. Box 48380
Olympia, Washington 98504-8380

Dear Sandy:

RE: CALCULATION OF EXTRAORDINARY INVESTMENT GAINS FOR 2006

This letter documents the calculation of extraordinary investment gains for January 1, 2006 as provided under Chapters 41.31 and 41.31A RCW. As documented below, no extraordinary gains were realized in the current 4-year period.

Gain-sharing in PERS and TRS Plans 1; and PERS, TRS and SERS Plans 3, occurs when the commingled retirement trust fund experiences "extraordinary investment gains." Extraordinary investment gains as defined under Chapters 41.31 and 41.31A RCW occur when the compound average of investment returns on plan assets over the previous four state fiscal years exceeds 10%.

The gain-sharing determination is performed by this Office in even-numbered years only. Distributions triggered by extraordinary gains become effective January 1 of even-numbered years.

The 2006 calculation is provided in the following table:

Fiscal Year	Rate of Investment Return*
2005	13.34%
2004	16.06%
2003	4.15%
2002	-6.39%
a. 4-year compound average	6.42%
b. Gain-sharing threshold	10.00%
c. Excess (a-b, not less than 0%)	0.00%

**Provided by the Washington State Investment Board*

2420 Bristol Court S.W., Suite 101
P.O. Box 40914
Olympia, WA 98504-0914
(360) 753-9144

FAX: (360) 586-8135
TDD: 1-800-635-9993

E-MAIL: actuary_st@leg.wa.gov

Ms. Sandra J. Matheson

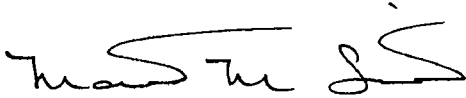
October 31, 2005

Page Two

There are no extraordinary investment gains for 2006 since the compound average of investment returns over the previous four fiscal years did not exceed the gain-sharing threshold of 10%.

Please feel free to contact me directly should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Smith".

Matthew M. Smith

State Actuary

cc: Marty McCaulay
Dave Nelsen
Jeff Wickman

Select Committee on Pension Policy

2008 Gain-Sharing Projections

(November 1, 2005)

Purpose of Document

The purpose of this communication is to provide policy makers with the likelihood of an extraordinary investment gain, as defined under Chapters 41.31 and 41.31A RCW, for 2008. It is intended to assist policy decision makers as they assess options for addressing future gain-sharing liabilities and should not be used for other purposes. ***It is not intended as a financial planning tool for retirement system members.***

This document summarizes calculations that require assumptions about future investment performance. The assumptions and methods used in this document are reasonable and appropriate for the primary purpose stated above. The use of another set of assumptions and methods, however, could also be reasonable and could result in materially different results.

This document consists of five pages and should be used in its entirety. The partial use and/or distribution of this document could be misleading to other parties.

The results presented in this document will change as projected investment return is replaced with actual investment performance. ***The reader should exercise caution when applying the results of this document beyond the date listed above.***

Gain-Sharing Background

Gain-sharing benefits apply to PERS, TRS and SERS plans 1 and plans 3. The benefits can be triggered if certain conditions are met on June 30th of odd-numbered years.

Gain-sharing benefits will be triggered on June 30, 2007, and payable on January 1, 2008, if the 4-year average compound annual investment return exceeds 10%. The gain-sharing benefits are based on 1/2 the excess return over 10%.

Assets applicable to plan 3 gain-sharing benefits are the assets attributable to plans 3 participants. These attributable assets are the total assets in plans 2 and 3, multiplied by the ratio of service in plan 3 over service in plans 2 and 3.

Gain-sharing benefits in plan 1 are granted as an increase to the Uniform Increase amount. Gain-sharing benefits in plan 3 are granted as a distribution from the defined benefit plan to members' defined contribution accounts.

Estimated Investment Returns for 2008 Gain-Sharing

The 2008 gain-sharing formula will consider the investment returns over the 4 years ending on June 30, 2007. The applicable returns to September 30, 2005 are 16.1% for the year ending June 30, 2004, 13.3% for the year ending June 30, 2005, and 4.9% for the quarter ending September 30, 2005. The accumulated return is 38.0%.

In order to trigger gain-sharing, investment returns would have to average 10% for each of the 4 years to June 30, 2007, for a total return of 46.4%. This implies a total future return of 6.1% for the next seven quarters from October 1, 2005 to June 30, 2007, or an annual rate of 3.4%.

The table below uses investment return simulations from the Washington State Investment Board. It shows the expected future annual rate of return over the next twenty-one months for each tenth percentile (the probability of getting a value less than that indicated - based on the distribution of simulated returns). This is combined with past actual returns for two years and three months to estimate the total 4-year return to June 30, 2007. The compound average annual rate of return is calculated, along with the excess over 10%, and 1/2 the excess over 10%.

Investment Return Percentiles	Expected Future Annual Rate of Return	Total 4-year Return to 6/30/07	Average Annual Rate of Return	Excess over 10%	1/2 Excess over 10%
95%	23.9%	100.7%	19.0%	9.0%	4.5%
85%	17.4%	82.8%	16.3%	6.3%	3.1%
75%	13.8%	72.9%	14.7%	4.7%	2.3%
65%	10.9%	65.4%	13.4%	3.4%	1.7%
55%	8.4%	58.9%	12.3%	2.3%	1.1%
45%	6.0%	52.9%	11.2%	1.2%	0.6%
35%	3.7%	46.9%	10.1%	0.1%	0.0%
25%	1.1%	40.5%	8.9%	-1.1%	-0.6%
15%	-2.1%	32.9%	7.4%	-2.6%	-1.3%
5%	-7.2%	21.1%	4.9%	-5.1%	-2.6%
Mean Value	7.6%	56.9%	11.9%	1.9%	1.0%

The 95th percentile is an annual rate of return of 23.9%. This is interpreted as a 95% probability of getting a rate less than 23.9%, or a 5% probability of getting a rate more than 23.9% - based on the distribution of simulated returns.

Possible Gain-Sharing Benefits in 2008

The benefits percentile table below lists 1/2 the excess over 10% returns applicable to the gain-sharing calculation. This is multiplied by the assets attributable to gain-sharing to get the value of the gain-sharing benefits.

The plan 1 value was used to calculate additional plan 1 benefits. These benefits are granted in the form of an additional Uniform Increase amount.

The plan 3 value was used to calculate the plan 3 benefits. The benefit is defined as an dollar amount per year of service to be transferred from the defined benefit plan to members' defined contribution accounts.

Benefit Percentiles	1/2 Excess over 10%	Total Gain-sharing		Plan 1 Value (\$millions)	Plan 3 Value (\$millions)	Plan 1		Plan 3 Benefits (\$/ year of service)
		Value (\$millions)				Benefits (Uniform Inc)		
95%	4.5%	\$ 1,000	\$	759	\$ 241	\$ 0.38	\$	269
85%	3.1%	\$ 695	\$	527	\$ 168	\$ 0.26	\$	187
75%	2.3%	\$ 517	\$	393	\$ 125	\$ 0.20	\$	139
65%	1.7%	\$ 377	\$	286	\$ 91	\$ 0.14	\$	102
55%	1.1%	\$ 252	\$	191	\$ 61	\$ 0.10	\$	68
45%	0.6%	\$ 133	\$	101	\$ 32	\$ 0.05	\$	36
35%	0.0%	\$ 11	\$	8	\$ 3	\$ 0.00	\$	3
25%	0.0%	\$ -	\$	-	\$ -	\$ -	\$	-
15%	0.0%	\$ -	\$	-	\$ -	\$ -	\$	-
5%	0.0%	\$ -	\$	-	\$ -	\$ -	\$	-
Mean Value	1.0%	\$ 213	\$	162	\$ 51	\$ 0.08	\$	57

Market Value of Assets 9/30/04	Total Assets (\$millions)	Gain-sharing Assets (\$millions)	Plan 1 Assets (\$millions)	Plan 3 Assets (\$millions)
PERS 1	\$ 9,128	\$ 9,128	\$ 9,128	
TRS 1	\$ 7,681	\$ 7,681	\$ 7,681	
PERS 2/3	\$ 10,776	\$ 1,069		\$ 1,069
TRS 2/3	\$ 3,789	\$ 2,832		\$ 2,832
SERS 2/3	\$ 1,529	\$ 1,443		\$ 1,443
Total	\$ 32,904	\$ 22,152	\$ 16,810	\$ 5,343

Assets applicable to plan 3 gain-sharing benefits are the assets attributable to plans 3 participants. These attributable assets are the total assets in plans 2 and 3, multiplied by the ratio of service in plan 3 over service in plans 2 and 3.

All plan 1 assets are attributable to plan 1 gain-sharing.

The asset and service data was obtained from the 2004 actuarial valuation of the plans.

Appendix

Data, Assumptions, and Methods

The asset and service data was obtained from the 2004 actuarial valuation of the plans.

Simulated investment returns for the period July 1, 2003 to September 30, 2005 were obtained from the Washington State Investment Board and rounded to one tenth of a percentage.

The simulated investment returns use the 2005 capital market assumptions provided by the Washington State Investment Board (WSIB).

2005 WSIB Capital Market Assumptions					
Investment Type	Expected Return	Standard Deviation	Current Portfolio		
			Allocation	Expected Return	Standard Deviation
US Equity	8.50%	17.50%	31%	2.6%	
Non-US Equity	8.50%	19.00%	15%	1.3%	
Fixed Income	5.00%	5.00%	25%	1.3%	
Private Equity	11.50%	33.00%	17%	2.0%	
Real Estate	7.75%	16.00%	12%	0.9%	
Cash	3.25%	1.50%	0%	0.0%	
TIPS	4.75%	5.00%	0%	0.0%	
Long Duration FI	5.50%	8.00%	0%	0.0%	
Total			100%	8.0%	13.5%

The expected future annual rate of return over the next twenty-one months is shown for each tenth percentile from the 5th percentile to the 95th percentile. The percentile is the probability of getting a value less than that indicated. The 95th percentile is an annual rate of return of 23.9%. This is interpreted as a 95% probability of getting a rate less than 23.9%, or a 5% probability of getting a rate more than 23.9% - based on the distribution of simulated returns.

The expected rate of 7.6% (mean) is higher than the 50th percentile rate of 7.2% (median) because the model uses a distribution of returns "skewed to the right" using statistical jargon.

Select Committee on Pension Policy

Gain-Sharing Report Preview

Key Findings

(October 31, 2005)

Background Findings

Gain-sharing was enacted in 1998 to provide periodic non-contractual benefit increases to certain PERS, SERS, and TRS members by tapping the “extraordinary investment gains” from the retirement funds.

Gain-sharing directly affects current and future retired members of TRS and PERS Plans 1 as well as term-vested, active and retired members of the TRS, SERS and PERS Plans 3. Plan 2 members do not participate in gain-sharing.

Gain-sharing occurs when the compound average of investment returns on pension fund assets exceeds 10 percent for the previous four state fiscal years. When the investment return threshold is met, one-half the returns in excess of 10 percent are distributed to eligible Plan 1 and Plan 3 members.

Plan 1 members receive an enhancement in the “annual increase amount” used in calculating their Uniform COLA. Eligible plan 3 members, those whose account balances are \$1,000 or more, receive distributions to their individual accounts based on their years of service.

In the gain-sharing events of 1998 and 2000, a total of \$2.025 billion was allocated either in the form of benefits or paying down the PERS 1 and TRS 1 Unfunded Actuarially Accrued Liability (UAAL).

Cost Findings

Gain-sharing has a cost principally because it is a means to distribute material benefits.

Based on the current asset mix, there have been 28 four-year periods since 1929 when the average rate of return was above 10 percent.

Periods of high investment returns are needed to balance the periods of low returns so that the average return is close to the assumed interest rate.

If a portion of the plan assets are distributed as benefits during periods of high returns, the average rate of return will be lower overall.

2002 Actuarial Valuation Report: *"... If it is determined that the gain-sharing benefit provisions represent a material liability to the plans, then the actuarial value of the benefit provisions must be reflected in the liabilities of the plans unless contrary to existing law."*

2003 Actuarial Valuation Report: Future gain-sharing represents \$930 million in additional UAAL in PERS and TRS Plans 1 and an additional \$622 million in present value of benefits in the Plans 3.

Informal Legal Findings

Assistance in policy discussions was provided via informal advice by the Attorney General's (AG) Office at the request of the OSA.

- Gain-sharing may not be a vested, contractual right because of the non-contractual right clause; members were "put on notice."
- It is recommended that any trade-off proposal be within the same benefit arena.
- It is reasonable to adjust the value of an uncertain and unpredictable benefit when determining the value of a comparable replacement which has little or no uncertainty.

Statutory Findings

HB 1324, recommended by the SCPP in the 2005 session, would have replaced gain-sharing with a range of benefits that were approximately half the value of the original gain-sharing.

ESHB 1044: Chapter 370, Laws of 2005.

- Delayed recognition of the cost of future gain-sharing benefits until 2007-09.

- Directed the SCPP to "... study the options available to the legislature for addressing the liability associated with future gain-sharing benefits. ... report the findings and recommendations of its study to the legislative fiscal committees by no later than December 15, 2005."

Study Options Findings

Each of the options will be discussed in terms of policy implications relative to the AG's informal opinion, and fiscal impact.

1. **Repeal Gain-sharing.** This would be the most straight-forward method of dealing with future gain-sharing liabilities as they would be eliminated.

Policy Implications: The non-contractual right clause has not been tested. If the clause does not stand-up to a legal challenge, there would be "Bakenhus" issues with a straight repeal. Additionally, members who chose to transfer to the Plans 3 from Plans 2 because of the inducement provided by the gain-sharing benefit may need an option to return to their original plans to prevent future litigation. Repealing gain-sharing for future plan 3 members only would be an option to address such Bakenhus issues.

Fiscal Impact: Eliminating gain-sharing eliminates the associated long-term cost. Since a large share of those projected costs are in connection with future members, retaining gain-sharing for current members may address some litigation concerns while still eliminating much of the future cost.

2. **Delay Gain-sharing.** This means delaying the inclusion of gain-sharing in the contribution rate calculations until after a gain-sharing event. In the original gain-sharing legislation, the initial gain-sharing events were specifically exempted from the supplemental contribution rate provision, but future gain-sharing events were not exempted from the "basic" employer contribution rate.

Policy Implications Delaying the funding of gain-sharing until after a future event would expand the original exception to an overarching funding policy, to prefund all benefits over the working lives of the members.

Fiscal Impact Delaying the funding of gain-sharing would compound the liabilities associated with future gain-sharing, by providing a material benefit but not recognizing that materiality prior to a benefit distribution.

- 3. Suspending Gain-sharing.** This means suspending the granting and funding of gain-sharing until some specific date in the future. Such a suspension may or may not include a gain-sharing event.

Policy Implications: While this is somewhat in conflict with the policy to pre-fund benefits. Unlike delaying the inclusion of gain-sharing in the contribution rate calculation, it does not treat gain-sharing as a pay-as-you-go or post-funded benefit.

Fiscal Impact: This would limit the liability of any future gain-sharing event to those that would occur after the suspension period. But by delaying funding, the cost would still be greater than if begun earlier.

- 4. Make Gain-sharing Discretionary with the Legislature.** Making gain-sharing at the discretion of the legislature would address future liabilities only if the gain-sharing distributions, though triggered, were not granted. This would, in essence, return the legislature to a position of granting ad hoc benefit improvements for PERS 1 and TRS 1 retirees. It would also be the first step in granting ad hoc benefit improvements for Plan 3 members.

Policy Implications: This would be in conflict with the policy to pre-fund benefits and benefit improvements over the working lives of the members.

Fiscal Impact: This option would only limit future gain-sharing liabilities if the legislature did not grant a gain-sharing distribution. Until there were evidence that a distribution would not be granted, the benefit would be valued with the assumption that future gain-sharing distributions would be granted.

- 5. Replacing Gain-sharing Benefits with Other Benefits.** Replacing gain-sharing would mean repealing gain-sharing and providing alternative benefits. The policy implications of any trade-off proposal will be examined within the framework of the informal advice from Attorney General's Office in 2004. The fiscal impacts will be examined in relation to the most recent fiscal note and will be discussed as distinct costs – those costs will eventually be compared to the cost savings of repealing gain-sharing.

Regardless of any AG opinion, formal or informal, were the "non-contractual" clause voided in a court case, any benefit – gain-sharing or replacement benefits – would be an ongoing plan liability and employers would be liable for their share of the cost of the original and replacement benefits.

The following benefit replacement (trade-off) options were to be included in this report. This is not an exhaustive examination of all possible options.

Plan Choice

Plan choice would allow newly hired TRS and SERS members to have the choice of joining Plan 2 or Plan 3, as is currently the choice available to new PERS members.

Policy Implications In the great majority of instances, new members have no choice as to the plan they join. PERS is the exception. Plan choice would result in a greater level of consistency between the systems, but would be a shift in retirement policy and reopen plans that have been closed to new members for several years.

Relative to the AG's informal opinion, it is apparent that this benefit would have no link to the original gain-sharing benefits. It has nothing to do with annual disbursements to defined contribution accounts and is of no value to existing active, term-vested, or retired Plan 3 members.

Fiscal Impact The updated HB 1324 fiscal note reported that plan choice would result in a 0.13 percent increase in the long-term TRS employer contribution rate and a 0.15 percent increase in the long-term SERS employer contribution rate, and a 25-year cost of \$281.7 million (all funds).

Employer Defined Contributions

Annual employer contributions to Plan 3 members' defined contribution accounts would replace the gain-sharing distribution to member accounts.

Policy Implications By mandating employer contributions to Plan 3 members' defined contribution accounts, the legislature would be establishing new Plan 3 policy.

In terms of the AG's informal opinion, this would be a good match. It would be a similar distribution mechanism as current gain-sharing; and it would provide benefits to the same groups as current gain-sharing.

Fiscal Impact: The fiscal impact of an annual employer contribution would depend on the amount being distributed. For instance, as was priced in the updated HB 1324 fiscal note, a \$10 per year of service distribution in SERS would result in an increase of 0.68 percent in employer contribution rates, and a 25-year cost of \$106.1 million (all funds).

Retirement Eligibility Enhancements

The current discussion on retirement eligibility has focused on lowering the retirement age using a "rule-of-90" in the Plans 2 and 3. A rule-of-90 would combine a member's age and years of service to determine retirement eligibility.

Policy Implications: Trading away Plan 3 gain-sharing for a rule-of-90 proposal has several difficulties. An enhanced retirement eligibility benefit is not within the same scope as current gain-sharing benefits which provide distributions to Plan 3 members' defined contribution accounts. Additionally, trading away a Plan 3 benefit to provide an enhanced Plan 2 benefit is not even within the scope of the same plan. Finally, such a provision does not benefit certain groups that currently are eligible for gain-sharing distributions. Each of these factors would place such a trade-off in conflict with the informal advice received from the AG.

Fiscal Impact: The modified Rule-of-90 as priced in the updated HB 1324 fiscal note reported increases of 0.18 percent in PERS, 0.34 percent in TRS, and 0.17 percent in SERS employer contribution rates and a 25-year cost of \$1.6 billion (all funds).

Post-retirement Adjustments

Post-retirement adjustments refers to enhancing Plan 1 COLA provisions. That could be by increasing the Uniform Increase Amount, changing the age eligibility standard to receive the COLA, or changing the age/service eligibility to receive the alternative \$1,000 minimum benefit and indexing that benefit.

Policy Implications: Each of these adjustments fall within the same scope as the original Plan 1 gain-sharing – that of enhancing or retaining Plan 1 retirees purchasing power. However, the Age 66 eligibility standard and the \$1,000 minimum would apply to a more limited scope of members.

Fiscal Impact: As priced in the updated HB 1324 fiscal note, all these benefits in total would result in increases of 0.23 percent in PERS, 0.47 percent in TRS, and 0.23 percent in SERS employer contribution rates, and a 25-year cost of \$1.2 billion (all funds). Any change in these benefit designs would result in different employer contribution rates.

Policy Questions

In light of the significant fiscal, legal, and policy implications of this issue, the SCPP may want to discuss the following questions in the process of formulating any recommendation.

1. Shall there be a new retirement benefit funding policy that does not adhere to the existing policy of fully funded benefits and inter-generational equity?
2. Shall trade-off proposals adhere to the concept of trading an existing benefit for a similar benefit?
3. Shall trade-off proposals adhere to the concept of uncertainty having a negative value and certainty a positive value?
4. In light of the legal uncertainty of any “repeal and replace” proposal, are these still viable options for the legislature?

Burkhart, Kelly

Subject: FW: Gain-Sharing Subgroup meeting

—Original Message—

From: Doug Miller [mailto:dougm@pacificpud.org]

Sent: Monday, October 17, 2005 9:09 AM

To: Winner, Charlene

Subject: Gain-Sharing Subgroup meeting

Good morning Charlene,

I had hoped to attend the Gain-Sharing Subgroup meeting today, even though I am not a SubGroup member, just to make comments on HB 1324 for the public utility districts. A couple of items have come up, including unexpected open heart surgery for the wife of one of my bosses today at 3:30, that I need to be apart of - I will still make the Full Committee meeting tomorrow.

Please let Subgroup Chair Representative Fromhold or Vice-Chair Senator Fraser, in his absense, know that the PUDs did not support HB 1324 because of the modified Rule-of-90. The public utility districts have been interested in a retirement age for PERS 2 & 3 members at age 60 without an adjustment of past service credits benefits. The amended Rule-of-90 in HB 1324 set a minimum age of 60 (which we support) but still maintained a reduction in retirement benefits for past service credit. We could support a Rule-of-90 with a minimum age of 60 years old and maybe a 5-year phase in starting with age 64 the first year of passage of the bill, 63 the second year and so on for five years till the minimum 60 age requirement. Also would need to have the Rule-of-90 with no decrement to retirement benefits, both past service credit and future years of service.

Thanks to the Chair/Vice-Chair of the Subgroup for expressing these thoughts and to you Charlene for brining to their attention. See you tomorrow.

Doug



STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS
PO Box 48380 • Olympia WA 98504-8380 • (360) 664-7000 • Toll Free 1-800-547-6657

October 25, 2005

Charles Harkins
16801 Lakeside Drive
Spanaway, Washington 98387

RECEIVED

OCT 27 2005

Dear Mr. Harkins:

Office of
The State Actuary

Thank you sharing your concerns about cost of living adjustments (COLA's) and gain sharing for retired teachers enrolled in Plan 1. Thank you also for your patience in our reply. Governor Gregoire has asked me to respond directly to you regarding your comments and questions.

I understand your concern about the increasing costs of living, especially as medical costs continue to escalate. We have received similar comments from other Plan I retirees and members about that plan's provisions for maintaining purchasing power.

The State of Washington sponsors a total of 14 different pension plans in 7 systems. Each of these plans are a reflection of the era in which they were created, often differing in provisions such as retirement age eligibility, disability retirement benefits, COLA's, etc. The PERS and TRS Plans I, for example, include a COLA that increases at a slower rate than the Plans 2, but a richer benefit package overall.

Changing the pension plans will always present a challenge because of the obvious cost impacts. The state legislature is the decision-making authority for changes to the plans such as the one you are suggesting. They created the Select Committee on Pension Policy (SCPP) three years ago to review all prospective changes to the plans and make recommendations. In addition to legislators, the Director of the Office of Financial Management (OFM) and myself, the SCPP includes individuals from groups such as the Washington Education Association to represent plan member interests and concerns.

The SCPP forwarded a proposal to the legislature during the last session for a permanent 20-cent increase to the Plan I uniform COLA. That proposal was not adopted by the legislature. Instead, the legislature requested the SCPP conduct a study about a comprehensive exchange of benefits in lieu of gain sharing. That study is to be completed by December 31, 2005.

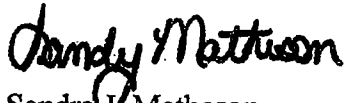
Plans I COLAs are being discussed as part of this study. I am forwarding your letter and my response to the Office of the State Actuary (OSA) so that your concern can be registered again. You may want to take the additional step of contacting your legislators, as the legislature is the final decision-making authority. If you would like your legislators to know how you feel about this subject, you can do so by calling the legislative hotline at 1-800-562-6000. You might also

Charles Harkins
October 25, 2005
Page 2

consider contacting the Washington State School Retirees Association, an organization that actively advocates for retirees with the legislature.

Thank you again for sharing your concern. I hope I have provided you with new information that reflects that your concern has at least been heard, even if not yet addressed. If you have any additional questions, please do not hesitate to contact me at (360) 664-7312, or Dave Nelsen, Assistant Director, at (360) 664-7304.

Sincerely,

A handwritten signature in black ink that reads "Sandra Matheson". The signature is written in a cursive, flowing style.

Sandra J. Matheson
Director

cc: Governor Gregoire

RECEIVED

JUL 12 2005

Office of the Governor

Charles Harkins
16801 lakeside Drive
Spanaway, Washington 98387
253-537-9714
eaharkins@juno.com

*Referred to
DES on
10/7.*

July 7, 2005

Governor Christine Gregoire
P.O. Box 40002
Olympia, Washington 98504-0002

Dear Governor:

I wrote you in January 2005, but I didn't receive a reply. I know a new Governor has many obligations, so I will try again.

My January letter asked that as you put your 2005-06 budget together that you would give Teacher Retirees (Plan I) the same COLA as elected officials, state employees, your cabinet, etc. Active teachers, state workers, legislators, your cabinet and YOU all received raises. Plan I Teacher Retirees did not. Worse yet, the State took the 200 million that should have gone into the Plan I Retirement Fund and spent it on other "needs".

Did your salary increase come out of that 200 million - your cabinets? As usual Plan I Retirees were told, NO, there isn't enough money! The State took in 7% more this past year than the year before, but obviously not enough to give us a fair raise.

The Retirees negotiated in "good faith" with the State (SCPP) Committee. We thought we had a deal in which we would give up "Gain Sharing" in exchange for a guaranteed COLA formula. We gave up "Gain Sharing" and as far as I know we received nothing in return. I guess this leaves more money in the budget to fund other peoples COLAs. This is totally unfair.

I would like you or someone you appoint to compare Washington's Retiree pay, COLAs, medical allowances, etc. with the other 49 states. I would imagine that this information is already available to the Retirement Department. I would

Citizen
Response
Tracking
Log: 604680

Office of the Governor
Mail Stop: 40002
(360) 753-6780

7/13/05
2:50 pm
Page 1

REFERRAL DIRECTIONS*

Referred To: Casey Rundquist - CRT Analyst/Writer

Action: Respond as you deem appropriate (letter, phone call, director signature, etc.)
Please return the original letter, the referral sheet, and copy of reply to
constituent services. If you have replied by email, please send us a copy of your
reply by email.

Comments: Questions and comments about Teacher Retirees (Plan 1) Benefits.

Referral Date: 7/13/2005

DUE BACK: 7/27/2005

Return To: Tracie Schaefer 902-0674 SMTP:tracie.schaefer@gov.wa.gov

* FOR COMPLETE DIRECTIONS REFER TO CITIZEN RESPONSE TEAM GUIDELINES.

CONTACT INFORMATION

From: Charles Harkins
16801 Lakeside Dr S
Spanaway, WA 98387
eaharkins@juno.com

Contact Date: 7/11/2005
Contact Type: Mail

Phone(s): Home 1 (253) 537-9714

Categories:	STATEGOV
Batch: 0	BENE-RET
TMS	Log: 604680